

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
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LARGE MINING OPERATIONS 2007 PROGRESS REPORT  
January 1, 2007 to December 31, 2007

The information required in this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, and the rules as under the Utah Minerals Regulatory Program.

1. Mine Permit Number: M0370040  
2. Mine Name: Velvet  
3. Name of Operator/Permittee: U.S. Energy Corp

Note: If Operator's address, company representative or phone number have changed, please provide a replacement page to the Notice of Intention.

4. Mine Location: Section 3, Township 31 S, Range 25 E,

5. Report the gross amount of ore mined and waste moved, as well as the arrangement, positioning, or distribution of the material:

Gross Ore Mined None Tons, or        yd<sup>3</sup>

Waste Material Moved None Tons, or        yd<sup>3</sup>

New Disturbance None Acres during 2007

Area Reclaimed None Acres during 2007

Total Disturbed Area 21.9 Acres\*

Was the ore shipped off site? If not, where is the ore located? NO

Where is the waste located? NO new mining activities

\*Total life of mine disturbance to the end of 2007.

6. Briefly describe the reclamation work performed during the past year. A map showing reclaimed areas and dates is suggested. (Submit form MR-SITE for an application for full or partial bond/site release).

Full Reclamation, awaiting growth of vegetation in process of transfer.

7. Include an updated map depicting surface disturbance and reclamation performed during the year, prepared in accordance with Rule R647-4-105. all reclamation done in past years

I hereby certify, under penalties of law, the information provided in this report is true and correct to the best of my knowledge and belief.

Name (Typed or Print): Fred Craft

Title of Operator: V.P. Engr.

Signature of Operator: Fred Craft

Date: Jan. 22, 2008

RECEIVED

JAN 31 2008

DIV. OF OIL, GAS & MINING